

OVERSEAS AMAZON RETAILERS – UK TAX LIABILITIES AND RESPONSIBILITIES

What has changed?

The UK tax authority HM Revenue & Customs (HMRC) was given new powers in Finance Bill 2016 (September 2016) to make online marketplaces jointly and severally liable for VAT evasion through online sales. The major online marketplaces in the UK are Ebay and Amazon but this legislation relates to all online marketplaces regardless of size. If a trader on those online marketplaces does not charge the correct UK VAT then the marketplace is equally liable for the VAT which should have been paid.

The UK VAT Law

If neither you or your business is based in the UK you must register for UK VAT as soon as you supply any goods or services to the UK (or expect to in the next 30 days). With the new regulations to be introduced following the Autumn budget it will be a requirement to provide a VAT number to any online marketplace if you are an overseas trader.

Registration of UK VAT

The majority of VAT reporting in the UK is carried out using online forms. There are provisions for paper forms where exemptions from electronic filing is permitted.

How UK VAT works

Value Added Tax (VAT) is a sales tax and is usually levied at the rate of 20% (there are some goods and services which qualify for a zero rate of VAT or VAT at a reduced rate of 5%).

This is added to the value of goods sold and should be paid by the customer and collected on behalf of HMRC by the vendor of the goods. The vendor then compares the VAT they have suffered on expenditure they have incurred and pays any differential to HMRC. If the goods are sold inclusive of VAT then the relevant proportion of the sales price will be treated as VAT as detailed below:

Example

Selling an item on Amazon for the price of £1,000 (£833 net and £167 in VAT).

Original purchase cost £200 in China and Amazon Fees £200 (20% of sales price)

You will receive £800 in your bank and will have incurred £200 in costs leaving £600 in profit.

For VAT purposes you have suffered £167 in VAT but you will not have incurred any expenses which were subject to VAT and therefore you will have to pay £167 over to HMRC. This therefore brings your profit down to £433.

Be careful re: Amazon fees

If you have registered for UK VAT at Amazon correctly they will not charge Eire or Belgian VAT on the Amazon selling fees, instead they will operate using what is known as the reverse charge mechanism which means you strictly would have the obligation to pay over the VAT yourself, but you would also be able to claim the VAT as a deduction against your own supplies so it does not affect the VAT payment position. If you have not updated your registration details with Amazon correctly then it is

possible your Amazon fees will be higher as they include Eire or Belgian VAT which is not recoverable against the UK VAT you will suffer.

VAT Reporting

The amounts of UK VAT collected on behalf of HMRC needs to be reported to them and any VAT due paid over to the tax authorities on a period basis. This is usually quarterly and will usually be 31 March, 30 June, 30 September and 31 December quarter dates. These returns should be submitted electronically and payment due **1 calendar month and 7 days after the end of each quarter**. For example:

Quarter end	Due Date for payment & return submission
31 March	7 May
30 June	7 August
30 September	7 November
31 December	7 February

Import VAT suffered

You are also likely to suffer import VAT. For businesses with no official UK presence import documentation is sent to HMRC in Aberdeen who send these to the non-UK business address. These forms C79 can then be used as proof of UK VAT suffered and is available for offset against the VAT due. I.e. To reduce the £167 figure above or even to provide a repayment of UK VAT if the VAT suffered has been greater than the VAT collected from your customer.

UK income tax or corporation tax on profits

If you are not based in the UK and your business is not registered in the UK then you will not be liable to UK income tax or corporation tax on the profits you make from the sales of goods or services. However, if you are deemed to be based in the UK then you will also be liable to UK taxes on profits you make. Being based in the UK does not always mean having an office in the UK. Being based in the UK can be having staff based in the UK and conducting sales from the UK.

What we can help you with at Beatons

One off assistance

- Registration of UK Limited Company
- Assistance with VAT registration and updating details on Amazon to ensure no additional VAT is levied on Amazon fees.

Ongoing assistance

- Preparation of your VAT quarterly return
- Preparation of accounts annually (accounts to 31 December need to be submitted by the following 31 December)
- Create streamlined book-keeping systems using technology to simplify the record keeping required, integrate financial accounting systems with Amazon and Ebay to reduce time and input required to record financial transactions.

This article provides a general summary and is not intended to be comprehensive. Beatons accepts no loss for any action taken or lack of action as a result of the contents of this document. Specific tax advice should be taken in any individual situation.